

TITLE 50 DEPARTMENT OF LOCAL GOVERNMENT FINANCE

Notice of Public Hearing

LSA Document #08-54

Notice of Public Hearing

Under IC 4-22-2-24, notice is hereby given that on June 9th, 2008, at 9:00 a.m., in the Auditorium at the Indiana Government Center-South, 402 West Washington Street, Indianapolis, Indiana, the Department of Local Government Finance will hold a public hearing on the proposed rule for the reassessment of property for the general reassessment effective March 1, 2011.

The proposed rule repeals 50 IAC 2.3 and adds 50 IAC 2.4 for the general reassessment of real property effective for taxes first due and payable in 2012, incorporating the 2011 Real Property Assessment Manual and the 2011 Real Property Assessment Guidelines by reference pursuant to IC 4-22-2-21. The purpose of the rule is to delineate the assessment practices to be used by assessing officials for the 2011 pay 2012 general reassessment of real property in Indiana to achieve the State's interest in uniform and accurate assessments. The Department estimates that no taxpayer will be directly impacted by this rule, and that no taxpayer will incur additional administrative expenses resulting from compliance with this rule because no additional reporting or filing requirements will be added by the rule. The Department estimates that the proposed rule will have an indeterminable, but relatively minor fiscal impact on State and local government. The reassessment of real property is part of the property tax structure in Indiana that is administered at the local level with oversight by the Indiana Department of Local Government Finance. Pursuant to IC 6-1.1-4-27.5, local governments have a reassessment fund in place to fund the cost of the reassessment. Because no financial impact is expected as a result of this rule, and because the rule simply prescribes methodologies for assessing officials, no supporting data, studies, or analyses were relied upon by the Department in its determination.

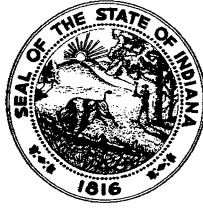
Copies of the rule are available on the Department of Local Government Finance website at www.in.gov/dlgf.

Copies of the rule, the 2011 Real Property Assessment Manual, and the 2011 Real Property Assessment Guidelines are now on file at the Department of Local Government Finance, Indiana Government Center-North, 100 North Senate Avenue, Room 1058, and the Legislative Services Agency, One North Capitol, Suite 325, Indianapolis, Indiana, and are open for public inspection.

Cheryl Musgrave
Commissioner
Department of Local Government Finance

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
PHONE (317) 232-3777
FAX (317) 232-8779



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204

To: Zachary Jackson, Budget Analyst, SBA
From: Timothy J. Rushenberg, General Counsel, DLGF
Date: March 18, 2008
Re: Cost-Benefit Analysis for LSA Doc. #08-54
Copy: Chris Ruhl, General Counsel, OMB

Pursuant to Executive Order 05-02 and Financial Management Circular 2006-02, the Department of Local Government Finance (Department) submits the following cost-benefit analysis and requests approval of the attached proposed rule which repeals 50 IAC 2.3 and adopts 50 IAC 2.4 for the 2011 general reassessment of real property (LSA Doc. #08-54).

Statement of Need

The Department finds the rule necessary to ensure the accurate and uniform assessment of real estate throughout the State. The purpose of the rule is to delineate assessment practices for the 2011 pay 2012 general reassessment of real property.

The assessment of real property is part of the property tax structure in Indiana, which is administered at the local level with oversight by the Department. Property taxes represent a property owner's portion of the local government's spending in a given year. A property's assessed value is the basis for property taxes. A general reassessment to inventory, verify, and value every real estate parcel in the State will be conducted beginning in 2009 and culminating in 2011. This process will distribute the property tax burden in a uniform and equitable manner. In order to ensure the uniformity of assessments in the various property classes, local assessing officials will be required to use the nationally recognized Marshall & Swift cost tables, customized to the State of Indiana.

Evaluation of Benefits and Costs

The taxpayers of Indiana will truly benefit if this rule becomes law. Accurate property assessments are vital to the property taxation system. The true tax value will reflect the market value of the property, ensuring uniformity of assessments in the various property classes.

The Department estimates that the proposed rule will have an indeterminable, but relatively minor, fiscal impact on state and local government. Although the rule requires the use of the Marshall & Swift cost tables, local assessing officials should have access to the Marshall & Swift cost tables since, pursuant to 50 IAC 21, the Department requires its use with respect to the annual adjustment of property values. Moreover, the Manatron Corporation, an integrated property software system company that serves a majority of the counties in the State, contracts with Marshall & Swift. Local governments may incur administrative costs, including any changes to assessment computer software programming as a result of compliance with the rule, and costs associated with conducting the reassessment. Because computer

**TITLE 50 DEPARTMENT OF LOCAL
GOVERNMENT FINANCE**

Proposed Rule
LSA Document #08-54

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

Estimated Number of Small Businesses Impacted by This Rule:

The Department estimates that no small businesses will be directly impacted by this rule. The purpose of the rule is to delineate the assessment practices to be used by assessing officials for the 2011 pay 2012 general reassessment of real property in Indiana. Pursuant to Indiana Code 6-1.1-4-4, a general reassessment must be conducted to inventory, verify and value all real estate parcels in the State. A property's assessed value is the basis for property taxes. While it is clear that some small businesses' property taxes may increase, it is equally clear that some small businesses' property taxes may decrease or stay the same. The rule itself is "business neutral" in that it simply establishes methodologies to determine the true tax value of property.

Estimated Average Annual Administrative Costs That Small Businesses Will Incur:

The Department estimates that no small businesses will incur additional administrative expenses resulting from compliance with this rule because no additional reporting or filing requirements will be added by the rule.

Estimated Total Annual Economic Impact on Small Businesses:

The Department estimates that there will be no real financial impact on small businesses as a result of compliance with this rule. The rule establishes methodologies for assessing officials to use to determine the true tax value of real property in the next general reassessment. Small businesses will have no responsibilities associated with this rule. The determination of the true tax value of property could result in an increase, decrease or no change in property taxes for small businesses. In any event, the true tax value of property must be determined using generally accepted appraisal methods.

- Justification of Requirements or Costs on Small Businesses Where Rule Is Not Expressly Required by Law: No additional requirements or costs are expected to result from this rule. If any additional costs are incurred in an effort to comply with this rule, they are justified by the State's interest in uniform and accurate assessments.
- Supporting Data, Studies, and Analyses: Because no financial impact is expected as a result of this rule, and because the rule simply prescribes methodologies for assessing officials, no supporting data, studies, or analyses were relied upon by the agency in its determination.

Regulatory Flexibility Analysis of Alternative Methods:

Because the exclusive purpose of the rule is to establish assessment methodologies in accordance with the law, the Department did not conduct a regulatory flexibility analysis of alternative methods. Additionally, because no financial impact is expected as a result of compliance with this rule, neither less stringent nor more simplified requirements are necessary for this rule.

- Supporting Data, Studies, and Analyses:

Because formulating alternative methods is not appropriate for this rule, the Department did not rely upon data, studies or analyses in its determination.

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
PHONE (317) 232-3777
FAX (317) 232-8779



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204

To: Zachary Jackson, Budget Analyst, State Budget Agency

From: Timothy J. Rushenberg, General Counsel

Date: March 18, 2008

Re: Fiscal Impact Analysis for LSA Doc. #8-54

Copy: Chris Atkins, General Counsel, OMB

Pursuant to Executive Order 2-89 and Financial Management Circular 2006-01, the Department of Local Government Finance submits the following fiscal impact analysis and requests approval of the attached proposed rule which repeals 50 IAC 2.3 and adopts 50 IAC 2.4 for the 2011 general reassessment of real property (LSA Doc. #08-54). The rule will become effective 30 days from the date that the rule is accepted for filing under Indiana Code 4-22-2-35.

Substance of Rule

The proposed rule repeals 50 IAC 2.3 and adds 50 IAC 2.4 for the general reassessment of real property effective for taxes first due and payable in 2012, incorporating the 2011 Real Property Assessment Manual and 2011 Real Property Assessment Guidelines by reference pursuant to Ind. Code § 4-22-2-21 (a) (3).

Estimated Fiscal Impact

The Department estimates that the proposed rule will have an indeterminable, but relatively minor, fiscal impact on State and local government. Although the rule requires the use of the nationally recognized Marshall & Swift cost tables, adjusted to Indiana, local assessing officials should have access to the Marshall & Swift cost tables because, pursuant to 50 IAC 21, the Department requires its use with respect to the annual adjustment of property values. Moreover, the Manatron Corporation, an integrated property software system company that serves a majority of the counties in the State, currently contracts with Marshall & Swift and will be able to continue to provide the cost tables to their counties. Local governments may incur minor administrative costs, including any necessary changes to assessment software programming as a result of compliance with the rule, and costs associated with conducting the reassessment. Because software programs vary by county, it is difficult to quantify the fiscal impact of these potential programming changes. It should be noted, however, that pursuant to Ind. Code § 6-1.1-4-27.5, a reassessment fund was established to fund the local costs of the reassessment.

Sources of Revenue, Appropriations, Distributions, or Expenditures

The reassessment of real property is part of the property tax structure in Indiana that is administered at the local level with oversight by the Indiana Department of Local Government Finance. Pursuant to Ind. Code § 6-1.1-4-27.5, local governments have a reassessment fund in place to fund the costs of the

reassessment. Property taxes represent a property owner's portion of the local government's spending in a given year. A property's assessed value is the basis for property taxes. More than ninety-nine percent (99%) of the revenue generated by property taxes remains in the community in which they are collected. A general reassessment is conducted to ensure property information and data is complete and accurate. The updated cost schedules utilized in the general reassessment will ensure the replacement costs are reflected in the market value for those properties. County officials add all of the assessed values of property in a county together and subtract the applicable deductions to determine the county's net assessed value. The Indiana Department of Local Government Finance sets the total amount of money government units in a county can spend in a year based on projected revenues for the county. This total allowed expenditure is divided by the net assessed value to determine the tax rate.

The tax rate is multiplied by the assessed value after all deductions are subtracted from each property. The county auditor then applies the state homestead credit and property tax replacement credit to arrive at the amount the property owner will pay in taxes to the county.

Assumptions Used In Calculation

For purposes of calculating the impact on local governmental units, the Department assumed local access to the Marshall & Swift cost tables and assumed the local existence of the Ind. Code § 6-1.1-4-27.5 reassessment fund.